

**PLAIN CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2006**

**PLAIN CITY, UTAH
YEAR ENDED JUNE 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Plain City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Plain City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plain City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Plain City, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2006, on our consideration of Plain City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wood Richards & Associates

December 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2006

This document is a narrative overview and analysis of the financial activities of Plain City for the fiscal year ending June 30, 2006. Plain City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities include basic services such as public safety, public works, parks and recreation, and general government administration, while business-type activities include sewer and sanitation. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have always reported capital assets and long-term liabilities. Government activities are also reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major government funds are presented in their own column. A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information can find additional schedules following the financial section of the report on capital assets and long-term liabilities.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2006

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2006 and 2005 follows:

	Net Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Cash and investments	\$1,432,410	\$1,250,039	\$1,181,853	\$1,784,256	\$2,614,263	\$3,034,295
Other assets	129,572	58,578	1,570,021	2,191,912	1,699,593	2,250,490
Capital assets	2,758,087	2,808,479	1,933,447	714,577	4,691,534	3,523,056
Total assets	4,320,069	4,117,096	4,685,321	4,690,745	9,005,390	8,807,841
Other liabilities	40,099	9,427			40,099	9,427
Long term outstanding	32,415	46,069	3,010,692	3,210,908	3,043,107	3,256,977
Total liabilities	72,514	55,496	3,010,682	3,210,908	3,083,206	3,266,404
Net assets:						
Invested in capital assets,						
Net of related debt	2,728,587	2,766,479	760,487	503,669	3,489,074	3,270,148
Restricted	335,069	267,385	337,732	864,222	672,801	1,131,607
Unrestricted	1,183,899	1,027,736	576,410	111,946	1,760,309	1,139,682
Total net assets	\$4,247,555	\$4,061,600	\$1,674,629	\$1,479,837	\$5,922,184	\$5,541,437

During the year ended June 30, 2006 there was one significant event that changed the balance of net assets. The city had previously issued \$ 3,000,000 in bonds to fund sewer expansion on 5100 West. During the current year the city received \$ 600,000 in proceeds with a balance due of \$ 1,500,000. The bonds will be repaid with annual payments of \$ 202,000 including interest at the rate of 3 % beginning August 1, 2006 with the last payment August 1, 2025.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2006

A condensed version of the Statement of Activities follows:

Governmental and Proprietary Activities
For the year ended June 30, 2006 and 2005

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$ 447,270	\$ 384,624	\$ 338,041	\$ 247,107	\$ 785,311	\$ 631,731
Grants and contributions	172,507	179,687			172,507	179,687
General revenues						
Taxes	716,779	632,277			716,779	632,277
Interest	55,413	29,628	70,893	21,972	126,306	51,600
Miscellaneous	4,173	7,766			4,173	7,766
Total revenues	1,396,142	1,233,982	408,934	269,079	1,805,076	1,503,061
Expenses						
General Government	438,460	401,463			438,460	401,463
Public Safety	260,260	205,892			260,260	205,892
Public Works	490,638	489,645			490,638	489,645
Parks and Recreation	80,311	82,640			80,311	82,640
Interest	518	2,530			518	2,530
Sewer			214,142	211,631	214,142	211,631
Total expenses	1,270,187	1,182,170	214,142	211,631	1,484,329	1,393,801
Change in net assets	125,955	51,812	194,792	57,448	320,747	109,260
Beginning net assets	4,061,600	4,009,788	1,479,837	1,422,389	5,541,437	5,432,177
Prior year adjustment	60,000				60,000	
Beginning net assets - restated	4,121,600	4,009,788	1,479,837	1,422,389	5,601,437	5,432,177
Ending net assets	<u>\$ 4,247,555</u>	<u>\$ 4,061,600</u>	<u>\$ 1,674,629</u>	<u>\$ 1,479,837</u>	<u>\$ 5,922,184</u>	<u>\$ 5,541,437</u>

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2006

Governmental activities:

For the year ended June 30, 2006 the total revenues for the governmental activities were \$ 1,396,142. Program revenues totaled \$ 619,777. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$ 776,365. The major sources of general revenues are taxes and interest earnings. Taxes comprise 51.34% of the City's total governmental activities revenues. The governmental activities had an increase in net assets of \$125,955.

Business-type activities:

For the year ended June 30, 2006 the total revenues for the business-type activities were \$ 408,934. Program revenues total \$ 338,041. The majority of the revenue is from charges for services of the enterprise funds. The general revenue in the business-type activities consisted of \$ 70,893 in interest income. The business type activities had an increase in net assets of \$ 194,792.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Fund balances

The fund balance in the General Fund was increased by \$43,995. The fund balance in the Capital Projects Fund was increased by \$178,698, of which \$150,000 came from a budgeted transfer from the General Fund. The Enterprise funds which includes the Sewer Fund and Landfill Fund had an increase in net assets of \$194,792.

The General Fund balance includes \$335,069 of reserved fund balances and \$159,823 of unreserved fund balance.

Budgetary Highlights

Over the course of the year the City Council amended the budget. At the end of the year there were three individual departments with budget shortfalls due to unexpected events. Actual general fund revenues were \$273,844 above the original budget and \$152,023 above the final amended budget. Actual general fund expenditures before transfers were \$97,349 above the original budget and \$43,151 below the final amended budget.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2006

Capital Assets

At June 30, 2006 the City had added \$ 60,828 in new capital assets in governmental activities, including a new mower for the parks and storm drain infrastructure. The Sewer Fund added \$1,264,837 in new capital assets, including new pumps and new sewer line infrastructure.

Capital Assets at Year-end

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 197,000	\$ 197,000			\$ 197,000	\$ 197,000
Buildings	1,153,393	1,153,393			1,153,393	1,153,393
Improvements	17,684	17,684			17,684	17,684
Equipment	660,089	622,589	199,652	174,432	859,741	797,021
Infrastructure	2,500,129	2,476,802			2,500,129	2,476,802
Sewer System			2,749,504	1,509,887	2,749,504	1,509,887
Subtotal	4,528,295	4,467,468	2,949,156	1,684,319	7,477,451	6,151,787
Accumulated depreciation	1,770,208	1,598,989	1,015,709	969,742	2,785,917	2,568,731
Capital assets, net	<u>\$2,758,087</u>	<u>\$2,868,479</u>	<u>\$ 1,933,447</u>	<u>\$ 714,577</u>	<u>\$4,691,534</u>	<u>\$3,583,056</u>

Debt Outstanding

At year-end, the City had \$ 3,040,192 in bonds and capital leases outstanding versus \$3,252,908 last year, a net decrease of \$ 212,716.

Debt Outstanding at Year-end

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Capital Leases	\$ 29,500	\$ 42,000	\$ 10,692	\$ 20,908	\$ 40,192	\$ 62,908
1972 Revenue Bonds				190,000		190,000
2005 Revenue Bonds			3,000,000	3,000,000	3,000,000	3,000,000
Total debt outstanding	<u>\$ 29,500</u>	<u>\$ 42,000</u>	<u>\$ 3,010,692</u>	<u>\$ 3,210,908</u>	<u>\$ 3,040,192</u>	<u>\$3,252,908</u>

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2006

Economic Factors and Next Year's Budgets and Rates

- Property taxes make up 5.26% of general fund revenues.
- Sales and use tax make up 26.50% of general fund revenues.
- Franchise tax make up 19.31% of general fund revenues.
- Vehicle in lieu tax makes up 1.35% of general fund revenues.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Treasurer at 4132 W 2200 N, Plain City, Utah 84404.

BASIC FINANCIAL STATEMENTS

PLAIN CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 1,432,410	\$ 1,181,853	\$ 2,614,263
Accounts Receivable (Net)	129,572	70,021	199,593
Bond Proceeds Receivable	-	1,500,000	1,500,000
Total Current Assets	<u>1,561,982</u>	<u>2,751,874</u>	<u>4,313,856</u>
Noncurrent Assets:			
Capital Assets:			
Land	197,000	-	197,000
Land Improvements	17,684	-	17,684
Buildings	1,153,393	-	1,153,393
Sewer System	-	2,749,504	2,749,504
Machinery and Equipment	660,089	199,652	859,741
Infrastructure	2,500,129	-	2,500,129
Less Accumulated Depreciation	<u>(1,770,208)</u>	<u>(1,015,709)</u>	<u>(2,785,917)</u>
Total Capital Assets, Net	<u>2,758,087</u>	<u>1,933,447</u>	<u>4,691,534</u>
Total Assets	<u>4,320,069</u>	<u>4,685,321</u>	<u>9,005,390</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	<u>40,099</u>	<u>-</u>	<u>40,099</u>
Noncurrent Liabilities			
Due Within One Year	23,460	122,692	146,152
Due in More Than One Year	<u>8,955</u>	<u>2,888,000</u>	<u>2,896,955</u>
Total Noncurrent Liabilities	<u>32,415</u>	<u>3,010,692</u>	<u>3,043,107</u>
Total Liabilities	<u>72,514</u>	<u>3,010,692</u>	<u>3,083,206</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,728,587	760,487	3,489,074
Restricted For:			
Class "C" Roads	163,889	-	163,889
Storm Drain	86,399	-	86,399
Parks	31,755	-	31,755
Fire Hydrants	53,026	-	53,026
Construction	-	337,732	337,732
Unrestricted	<u>1,183,899</u>	<u>576,410</u>	<u>1,760,309</u>
Total Net Assets	<u>\$ 4,247,555</u>	<u>\$ 1,674,629</u>	<u>\$ 5,922,184</u>

The accompanying notes are an integral part of these financial statements.

**PLAIN CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 438,460	\$ 124,692	\$ 1,746	\$ -
Public Safety:				
Police	189,566	34,804	-	-
Fire	70,694	12,107	22,808	-
Public Works	490,638	219,045	147,953	-
Parks	21,862	13,666	-	-
Recreation	58,449	42,956	-	-
Interest Expense	518	-	-	-
Total Governmental Activities	1,270,187	447,270	172,507	-
Business-type Activities				
Sewer	214,142	338,041	-	-
Total Business-type Activities	214,142	338,041	-	-
Total Government	\$ 1,484,329	\$ 785,311	\$ 172,507	\$ -

General Revenues:

Taxes

 Property

 Sales and Use

 Franchise

 Vehicle in Lieu

Interest and Investment Earnings

Miscellaneous

Total General Revenues

 Change in Net Assets

Net Assets at Beginning of Year

Prior Year Adjustment

Net Assets at Beginning of Year - Restated

Net Assets at End of Year

The accompanying notes are an integral part of these financial statements.

Changes in Net Assets

<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ (312,022)	\$ -	\$ (312,022)
(154,762)	-	(154,762)
(35,779)	-	(35,779)
(123,640)	-	(123,640)
(8,196)	-	(8,196)
(15,493)	-	(15,493)
(518)	-	(518)
<u>(650,410)</u>	<u>-</u>	<u>(650,410)</u>
-	123,899	123,899
-	123,899	123,899
<u>(650,410)</u>	<u>123,899</u>	<u>(526,511)</u>
71,977	-	71,977
362,307	-	362,307
264,090	-	264,090
18,405	-	18,405
55,413	70,893	126,306
4,173	-	4,173
<u>776,365</u>	<u>70,893</u>	<u>847,258</u>
125,955	194,792	320,747
4,061,600	1,479,837	5,541,437
60,000	-	60,000
<u>4,121,600</u>	<u>1,479,837</u>	<u>5,601,437</u>
<u>\$ 4,247,555</u>	<u>\$ 1,674,629</u>	<u>\$ 5,922,184</u>

**PLAIN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 405,419	\$ 1,025,839	\$ 1,152	\$ 1,432,410
Accounts Receivable	129,572	-	-	129,572
TOTAL ASSETS	<u>\$ 534,991</u>	<u>\$ 1,025,839</u>	<u>\$ 1,152</u>	<u>\$ 1,561,982</u>
LIABILITIES				
Accounts payable	\$ 40,099	\$ -	\$ -	\$ 40,099
TOTAL LIABILITIES	<u>40,099</u>	<u>-</u>	<u>-</u>	<u>40,099</u>
FUND BALANCES				
Reserved for:				
Class C Roads	163,889	-	-	163,889
Storm Drain	86,399	-	-	86,399
Parks	31,755	-	-	31,755
Fire Hydrant	53,026	-	-	53,026
Unreserved	159,823	1,025,839	1,152	1,186,814
TOTAL FUND BALANCES	<u>494,892</u>	<u>1,025,839</u>	<u>1,152</u>	<u>1,521,883</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 534,991</u>	<u>\$ 1,025,839</u>	<u>\$ 1,152</u>	<u>\$ 1,561,982</u>

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Amounts reported for governmental activities in the
statement of net assets are different because:

Total fund balances--total governmental funds	\$ 1,521,883
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Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	2,758,087
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Long-term liabilities are not due and payable in the current
and therefore are not reported in the funds.
Those liabilities consist of:

Capital Lease (Park Lights)	(12,000)
Capital Lease (Park Mower)	(17,500)
Compensated Absences	<u>(2,915)</u>

Net assets of governmental activities	<u>\$ 4,247,555</u>
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The accompanying notes are an integral part of these financial statements.

PLAIN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Redevelopment	Total Governmental Funds
REVENUES				
Taxes	\$ 716,779	\$ -	\$ -	\$ 716,779
Licenses and Permits	124,692	-	-	124,692
Intergovernmental	149,699	-	-	149,699
Charges for services	221,411	-	-	221,411
Fines	34,804	-	-	34,804
Other Revenues	120,059	28,698	-	148,757
Total Revenues	1,367,444	28,698	-	1,396,142
EXPENDITURES				
Current Operating:				
General Government	418,049	-	-	418,049
Public Safety	252,582	-	-	252,582
Public Works	381,591	-	-	381,591
Parks and Recreation	138,727	-	-	138,727
Total Expenditures	1,190,949	-	-	1,190,949
Excess of Revenues Over (Under) Expenditures	176,495	28,698	-	205,193
OTHER FINANCING SOURCES (USES)				
Proceeds From Capital Lease	17,500	-	-	17,500
Transfers-In	-	150,000	-	150,000
Transfers-Out	(150,000)	-	-	(150,000)
Total Other Financing Sources (Uses)	(132,500)	150,000	-	-
Net Change in Fund Balances	43,995	178,698	-	205,193
Fund Balances at Beginning of Year	450,897	847,141	1,152	1,299,190
Fund Balances at End of Year	\$ 494,892	\$ 1,025,839	\$ 1,152	\$ 1,504,383

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balance, total governmental funds \$ 205,193

Amounts reported for governmental activities
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	60,828	
Depreciation Expense	<u>(171,220)</u>	(110,392)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of revenue bonds	18,000	
Repayment of capital lease	12,000	
Compensated absences	6,057	

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds - accrued amount of compensated absences payable.

(4,903)

Change in net assets of governmental activities \$ 125,955

The accompanying notes are an integral part of these financial statements.

**PLAIN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 1,153,495	\$ 28,358	\$ 1,181,853
Accounts Receivable (Net)	70,021	-	70,021
Bond Proceeds Receivable	1,500,000	-	1,500,000
Total Current Assets	<u>2,723,516</u>	<u>28,358</u>	<u>2,751,874</u>
Noncurrent Assets:			
Capital Assets			
Sewer System	2,749,504	-	2,749,504
Machinery and Equipment	199,652	-	199,652
Less Accumulated Depreciation	(1,015,709)	-	(1,015,709)
Total Capital Assets, Net	<u>1,933,447</u>	<u>-</u>	<u>1,933,447</u>
Total Assets	<u><u>\$ 4,656,963</u></u>	<u><u>\$ 28,358</u></u>	<u><u>\$ 4,685,321</u></u>
LIABILITIES			
Current Liabilities:			
Current Portion of Long-Term Liabilities	\$ 122,692	\$ -	\$ 122,692
Total Current Liabilities	<u>122,692</u>	<u>-</u>	<u>122,692</u>
Noncurrent Liabilities:			
Long-Term Liabilities, Net of Current Portion	2,888,000	-	2,888,000
Total Liabilities	<u>3,010,692</u>	<u>-</u>	<u>3,010,692</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	760,487	-	760,487
Restricted for Construction	337,732	-	337,732
Unrestricted	548,052	28,358	576,410
Total Net Assets	<u>1,646,271</u>	<u>28,358</u>	<u>1,674,629</u>
Total Liabilities and Net Assets	<u><u>\$ 4,656,963</u></u>	<u><u>\$ 28,358</u></u>	<u><u>\$ 4,685,321</u></u>

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
Operating Revenues:			
Charges for Services:			
Sewer	\$ 202,534	\$ -	\$ 202,534
Miscellaneous Charges	15,507	-	15,507
Total Charges for Services	218,041	-	218,041
Operating Expenses:			
Salaries and Wages	51,619	-	51,619
Operation Maintenance	60,208	-	60,208
Utilities	18,897	-	18,897
Professional Fees	10,235	-	10,235
Depreciation	45,967	-	45,967
Sewer Collection Fees	13,267	-	13,267
Total Operating Expenses	200,193	-	200,193
Operating Income (Loss)	17,848	-	17,848
Nonoperating Revenues (Expenses)			
Connection Fees	120,000	-	120,000
Interest Revenue	69,649	1,244	70,893
Interest Expense	(13,949)	-	(13,949)
Total Nonoperating Revenues (Expenses)	175,700	1,244	176,944
Change in Net Assets	193,548	1,244	194,792
Total Net Assets - Beginning	1,452,723	27,114	1,479,837
Total Net Assets - Ending	\$ 1,646,271	\$ 28,358	\$ 1,674,629

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 239,932	\$ -	\$ 239,932
Cash Paid to Suppliers	(102,607)	-	(102,607)
Cash Paid to Employees	(51,619)	-	(51,619)
Net Cash Provided (Used) by Operating Activities	<u>85,706</u>	<u>-</u>	<u>85,706</u>
Cash Flows from Noncapital Financing Activities			
Transfers In	-	-	-
Transfers Out	-	-	-
Net Cash Used in Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Principal Payments	(200,216)	-	(200,216)
Proceeds From Note Receivable	600,000	-	600,000
Acquisition of Capital Assets	(1,264,837)	-	(1,264,837)
Interest Paid	(13,949)	-	(13,949)
Connection Fees Collected	120,000	-	120,000
Net Cash Used in Capital and Related Financing Activities	<u>(759,002)</u>	<u>-</u>	<u>(759,002)</u>
Cash Flows from Investing Activities			
Interest on Investments	69,649	1,244	70,893
Net Cash Provided by Investing Activities	<u>69,649</u>	<u>1,244</u>	<u>70,893</u>
Net Increase (Decrease) in Cash	(603,647)	1,244	(602,403)
Cash - July 1	<u>1,757,142</u>	<u>27,114</u>	<u>1,784,256</u>
Cash - June 30	<u><u>\$ 1,153,495</u></u>	<u><u>\$ 28,358</u></u>	<u><u>\$ 1,181,853</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 17,848	\$ -	\$ 17,848
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	45,967	-	45,967
Changes in Assets and Liabilities:			
Accounts Receivable	21,891	-	21,891
Net Cash Provided by Operating Activities	<u><u>\$ 85,706</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 85,706</u></u>

The accompanying notes are an integral part of these financial statements.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The government is a municipal corporation governed by an elected mayor and council. The City was incorporated July 3, 1967. The City provides the following services as authorized by its charter: Public safety (police and fire), public utility (sewer), highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB).

B. Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

Statement of Net Assets - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

There are three categories of funds: governmental, proprietary, and fiduciary. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the City:

General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Redevelopment fund is used to help eliminate "blighted" areas within the designated project area. As of June 30, 2006, the City has not asked for or received any tax increment revenue. Additionally, they have not issued any bonds or made any loans for the Redevelopment Fund. There were not any expenditures related to property acquisition, site improvements, or administrative costs for the year ended June 30, 2006.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is a description of the proprietary funds of the City.

Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the funds.

Landfill Fund is used to account for the landfill and its estimated future retirement costs.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled Sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

3. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

4. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$100,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

PLAIN CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

4. Capital Assets (continued)

<u>Assets</u>	<u>Years</u>
Buildings	50
Sewer system	50
Infrastructure	20
Equipment	7

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

5. Compensated Absences

It is the government's policy to accrue accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The balance for governmental funds is maintained separately and represents a reconciling item between the fund financial statements and government-wide presentations.

6. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of capital leases and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

PLAIN CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

7. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

8. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

PLAIN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

8. Interfund Transactions (continued)

All other interfund transactions, except interfund services provided and used are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as non-operating transfers.

9. Property Tax

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

10. Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act for Utah cities" by the Plain City Municipal Council on or before June 15th for the following fiscal year, which begins on July 1. Budgets may be increased by resolution of the Municipal Council at any time during the year, following a public hearing. Budgets are adopted at sub-department levels; however budget amendments by resolution are generally required only if the department desires to exceed its total budget appropriation.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information (continued)

All budgets are adopted on a basis consistent with generally accepted accounting principles.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types are not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the 2005/2006 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. Fund Equity Restrictions

Reserve for Storm Sewer Impact Fees - The City Council passed an ordinance on July 11, 1985 providing for storm drain impact fees on all new construction. These fees collected are to be reserved for future storm drain maintenance.

Reserve for Fire Hydrant - The City Council passed an ordinance providing a monthly fee to be set aside for purchase and replacement of fire hydrants.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Fund Equity Restrictions (continued)

Reserve for Class "C" Roads - The State of Utah remits a portion of license fees paid and gasoline taxes collected to local units of government as Class "C" Road Funds to be used for the construction and maintenance of roads within the boundaries of the local jurisdiction. All unexpended funds that have been received are reserved at the end of the fiscal year to be appropriated in subsequent budget years.

Reserve for Parks - The City collects park impact fees, these fees are to be expended only on parks. Any unexpended funds that have been received and not expended at the end of the fiscal year are reserved and are to be appropriated for subsequent budget years.

Reserve for Construction - The Sewer Fund's cash from the sewer revenue bonds is restricted for the use of construction and expansion of the sewer system in the City.

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$251,600 of the City's bank balances of \$351,600 was uninsured and uncollateralized.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investments	2,482,020	2,482,020	-	-	-	not rated
	2,482,020	2,482,020	-	-	-	

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 131,608
Cash on hand	85
Returned checks	550
PTIF investment	<u>2,482,020</u>
Total cash and investments	<u>\$ 2,614,263</u>

Cash and investments are included in the accompanying
Combined statement of net assets as follows:

Cash	<u>\$ 2,614,263</u>
Total cash and investments	<u>\$ 2,614,263</u>

B. Accounts Receivable

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2006, are as follows:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:	\$ -	\$ 71,276	\$ 71,276
Intergovernmental	<u>129,572</u>	<u>-</u>	<u>129,572</u>
Gross receivables	129,572	71,276	200,848
Allowance for uncollectibles	<u>-</u>	<u>(1,255)</u>	<u>(1,255)</u>
Net total receivables	<u>\$ 129,572</u>	<u>\$ 70,021</u>	<u>\$ 199,593</u>

The City had no interfund receivables as of June 30, 2006.

C. Bond Proceeds Receivable

The City issued \$3,000,000 in bonds to fund future sewer expansion in the City in 2005. The proceeds from the bonds will only be received by the City as funds are needed to pay expansion costs. In 2006, \$600,000 was received and the remaining balance of \$1,500,000 is shown as a bond proceeds receivable on the statement of net assets.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 197,000	\$ -	\$ -	\$ 197,000
Total capital assets, not being depreciated	197,000	-	-	197,000
Capital assets, being depreciated				
Land and Improvements	17,684	-	-	17,684
Buildings	1,153,393	-	-	1,153,393
Machinery and Equipment	622,589	37,500	-	660,089
Infrastructure	2,476,801	23,328	-	2,500,129
Total capital assets, being depreciated	4,270,467	60,828	-	4,331,295
Accumulated Depreciation for:				
Land and Improvements	(10,194)	(584)	-	(10,778)
Buildings	(214,327)	(23,068)	-	(237,395)
Machinery and Equipment	(431,646)	(31,753)	-	(463,399)
Infrastructure	(942,821)	(115,815)	-	(1,058,636)
Total accumulated depreciation	(1,598,988)	(171,220)	-	(1,770,208)
Total capital assets, being depreciated, net	2,671,479	(110,392)	-	2,561,087
Governmental activities capital assets, net	<u>\$2,868,479</u>	<u>\$(110,392)</u>	<u>\$ -</u>	<u>\$2,758,087</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	1,181,313	-	1,181,313
Total capital assets, not being depreciated	-	1,181,313	-	1,181,313
Capital assets, being depreciated				
Sewer System	1,509,887	58,304	-	1,568,191
Machinery and Equipment	174,432	25,220	-	199,652
Total capital assets, being depreciated	1,684,319	83,524	-	1,767,843
Accumulated Depreciation for:				
Sewer System	(835,004)	(30,781)	-	(865,785)
Machinery and Equipment	(134,738)	(15,186)	-	(149,924)
Total accumulated depreciation	(1,012,836)	(45,967)	-	(1,015,709)
Total capital assets, being depreciated, net	671,483	37,557	-	752,134
Business-type activities capital assets, net	<u>\$ 671,483</u>	<u>\$1,218,870</u>	<u>\$ -</u>	<u>\$1,933,447</u>

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets (continued)

Depreciation expense was charged to functions/departments of the primary government as follows:

Governmental Activities:

General Government	\$ 21,565
Fire	7,678
Public Works	132,375
Parks	9,016
Recreation	586
Total Depreciation Expense	<u>\$ 171,220</u>

Business-type Activities:

Sewer Fund	<u>\$ 45,967</u>
Total Depreciation Expense	<u>\$ 45,967</u>

E. Interfund Transfers

For the year ended June 30, 2006 the City transferred \$150,000 from the General Fund to the Capital Projects fund in order to accumulate funds for future designated capital projects. At year end, there were no interfund borrowings.

F. Leases

Capital Lease The City entered in to a lease agreement as lessee for financing the acquisition of park lights. The lease has a 0.00% interest rate. Payments are made November 1 of each year. The gross value of the park lights is \$60,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ended June 30,	Capital Lease (Park Lights)		
	0.00%		
	Principal	Interest	Total
2007	12,000	-	12,000
Totals	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 12,000</u>

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

F. Leases (continued)

Capital Lease The City entered in to a lease agreement as lessee for financing the acquisition of a park mower. The lease has a 4.795% interest rate. Payments are made September 15th of each year. The gross value of the park mower is \$37,500.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ended June 30,	Capital Lease (Park Mower) 4.795%		
	Principal	Interest	Total
2007	\$ 8,545	\$ 839	\$ 9,384
2008	8,955	429	9,384
Totals	\$ 17,500	\$ 1,268	\$ 18,768

Sewer Fund

The City has entered into a lease agreement as lessee for financing the acquisition of a sewer pump truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The lease for the sewer truck has an interest rate of 4.55%. Payments for principal and interest are made once a year in November. The gross value of the sewer truck is \$50,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ended June 30,	Capital Lease (Sewer Truck) 4.55%		
	Principal	Interest	Total
2007	10,692	496	11,188
Totals	\$ 10,692	\$ 496	\$ 11,188

All interest expense for the sewer leases and bonds have been included as a direct function expense to the Sewer Program on the Statement of Activities.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Long-Term Liabilities

2005 Sewer Revenue Bonds. The City issued \$3,000,000 in bonds to fund sewer expansion in the City. The proceeds from the bonds will only be received as needed for expansion costs. Principal payments together with interest accruing on the unpaid principal balance at the rate of 3% are to be made once a year on August 1, beginning August 1, 2006. The bonds will fully mature on August 1, 2025.

The annual requirements to amortize the 2005 Revenue Bonds are as follows:

Year Ended June 30,	2006 Sewer Revenue Bonds 3.00%		
	Principal	Interest	Total
2007	\$ 112,000	\$ 90,000	\$ 202,000
2008	116,000	86,640	202,640
2009	119,000	83,160	202,160
2010	123,000	79,590	202,590
2011	126,000	75,900	201,900
2012-2016	690,000	320,400	1,010,400
2017-2021	802,000	210,360	1,012,360
2022-2026	912,000	82,770	994,770
Totals	\$3,000,000	\$1,028,820	\$ 4,028,820

Changes in capital leases and compensated absences in the governmental activities – During the year, the following changes occurred in capital leases for the governmental activities:

Governmental Activities:	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Capital Lease (Cemetery)	\$ 18,000	\$ -	\$ (18,000)	\$ -	\$ -
Capital Lease (Park Lights)	24,000	-	(12,000)	12,000	12,000
Capital Lease (Mower)	-	17,500	-	17,500	8,545
Total Debt	42,000	17,500	(30,000)	29,500	20,545
Compensated Absences	4,069	4,903	(6,057)	2,915	2,915
Total Governmental Activities	\$ 46,069	\$ 22,403	\$ (36,057)	\$ 32,415	\$ 23,460

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Long-Term Liabilities (continued)

Changes in Capital Leases and Long-Term Liabilities in the Business-Type Activities
– During the year, the following changes occurred in capital leases and long-term liabilities for the business-type activities:

Business-type Activities:	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Capital Lease (Sewer Truck)	\$ 20,908	\$ -	\$ (10,216)	\$ 10,692	\$ 10,692
1972 Revenue Bonds	190,000	-	(190,000)	-	-
2005 Revenue Bonds	3,000,000	-	-	3,000,000	112,000
Total Debt	3,210,908	-	(200,216)	3,010,692	122,692
<i>Total Business-type Activities</i>	<u>\$3,210,908</u>	<u>\$ -</u>	<u>\$ (200,216)</u>	<u>\$3,010,692</u>	<u>\$ 122,692</u>

A total of \$518 was charged to expense in the statement of activities in the Governmental Activities, while \$13,949 was included as a direct function expense in the Business-Type Activities to the Sewer Program. No interest was capitalized for the year ended June 30, 2006.

H. Redevelopment Agency

The Plain City Redevelopment Agency was inactive throughout the fiscal year 2006. The Plain City Redevelopment Agency did not collect any tax increment monies in the fiscal year ended June 30, 2006, nor did it pay any taxes to a taxing agency. The Agency did not issue any bonds or other loans and does not have any debt owed as of June 30, 2006. No expenditures were incurred during the fiscal year.

I. Retirement System

Plan Description. Plain City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

I. Retirement System (continued)

Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-356-8772.

Funding Policy. Plan members in the Local Governmental Noncontributory Retirement System are not required to contribute to the plan. Plain City is required to contribute 11.09% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Plain City's contributions to the Noncontributory Retirement System the Contributions for June 30, 2006, 2005 and 2004 were \$8,604, \$10,687, and \$8,798, respectively. The contributions were equal to the required contributions for each year.

J. Risk Management – Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

K. Stewardship, Compliance, and Accountability

Expenditures over budget:

The following departments in the General Fund incurred expenditures in excess of budget:

	Budget	Actual	Actual Over Budget
Storm Drain	23,600	26,329	2,729
Sanitation	171,500	176,289	4,789
Parks	75,800	80,864	5,064

PLAIN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

L. Prior Period Adjustment

The City owns \$60,000 in park lights, which were previously not capitalized in the government wide financial statements. The \$60,000 adjustment capitalizes those park lights. The adjustment increased net assets, but had no impact on the net income for the City for the year ended June 30, 2006.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

PLAIN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current Year Property Taxes	\$ 78,000	\$ 68,321	\$ 69,751	\$ 1,430
Redemptions	1,600	1,600	2,226	626
Registered Vehicles	15,000	15,000	18,405	3,405
Sales and Use Taxes	294,500	310,000	362,307	52,307
Franchise Taxes	130,000	214,000	264,090	50,090
	<u>519,100</u>	<u>608,921</u>	<u>716,779</u>	<u>107,858</u>
Licenses and Permits:				
Business Licenses	5,500	6,000	6,161	161
Building Permits	140,000	100,000	118,531	18,531
	<u>145,500</u>	<u>106,000</u>	<u>124,692</u>	<u>18,692</u>
Intergovernmental:				
Class "C" Road Fund Allotment	125,000	140,000	147,953	7,953
State Liquor Allotment	1,500	1,500	1,746	246
	<u>126,500</u>	<u>141,500</u>	<u>149,699</u>	<u>8,199</u>
Charges for Services:				
Landfill Fees	155,000	190,000	178,170	(11,830)
Park Fees	-	500	285	(215)
Recreation Fees	40,500	41,000	42,956	1,956
	<u>195,500</u>	<u>231,500</u>	<u>221,411</u>	<u>(10,089)</u>
Fines and Forfeitures	<u>35,000</u>	<u>35,000</u>	<u>34,804</u>	<u>(196)</u>
Other Revenues:				
Interest Earnings	10,000	20,000	26,715	6,715
Storm Drain	25,000	15,000	25,431	10,431
Sundry Revenues	4,000	4,000	4,173	173
Rental Revenue	4,500	4,000	3,981	(19)
Filing Fees	3,500	8,500	15,444	6,944
Fire Hydrants	10,000	12,000	12,107	107
Grants	-	22,000	22,808	808
Park Impact Fees	15,000	7,000	9,400	2,400
	<u>72,000</u>	<u>92,500</u>	<u>120,059</u>	<u>27,559</u>
Total Revenues	<u>\$ 1,093,600</u>	<u>\$ 1,215,421</u>	<u>\$ 1,367,444</u>	<u>\$ 152,023</u>

(continued)

PLAIN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Legislative	\$ 158,100	\$ 176,000	\$ 171,958	\$ 4,042
Judicial	16,800	16,800	14,328	2,472
Administrative	73,000	77,000	72,683	4,317
Non-departmental	83,100	81,100	74,473	6,627
Buildings	57,500	57,500	56,446	1,054
Planning and Zoning	3,200	34,200	28,161	6,039
	<u>391,700</u>	<u>442,600</u>	<u>418,049</u>	<u>24,551</u>
Public Safety:				
Police Department	135,200	194,200	189,566	4,634
Fire Department	60,700	71,200	63,016	8,184
	<u>195,900</u>	<u>265,400</u>	<u>252,582</u>	<u>12,818</u>
Public Works				
Streets	180,500	190,500	178,973	11,527
Storm Drain	41,300	23,600	26,329	(2,729)
Sanitation	151,500	171,500	176,289	(4,789)
	<u>373,300</u>	<u>385,600</u>	<u>381,591</u>	<u>4,009</u>
Parks	79,000	75,800	80,864	(5,064)
Recreation	53,700	64,700	57,863	6,837
Total Expenditures	<u>1,093,600</u>	<u>1,234,100</u>	<u>1,190,949</u>	<u>43,151</u>
Other financing sources (uses):				
Use of unappropriated surplus	-	168,679	-	(168,679)
Proceeds from capital lease	-	-	17,500	17,500
Operating transfers in (out)	-	(150,000)	(150,000)	-
Total other financing sources (uses)	<u>-</u>	<u>18,679</u>	<u>(132,500)</u>	<u>(151,179)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>43,995</u>	<u>43,995</u>
Fund Balance - July 1	<u>450,897</u>	<u>450,897</u>	<u>450,897</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 450,897</u>	<u>\$ 450,897</u>	<u>\$ 494,892</u>	<u>\$ 43,995</u>

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SUPPLEMENTARY INFORMATION

**PLAIN CITY
IMPACT FEE REPORTING
JUNE 30, 2006**

Impact fees are a funding tool used by local governments to place the cost of specific entity improvements to those that are creating the need for the improvements. Plain City has established two impact fees that are charged to either the developer or individual property owner.

The following tables show the funds collected by year and a description of what the funds will be used for in future capital projects.

The park impact fees are assessed to new home owners and/or developers for their impact upon the City's need for new parks. These funds are used for future park acquisition and development.

Below is a table showing the year in which the funds were collected:

PARK IMPACT FEES

	<u>Balance</u>
2004	\$ 17,135
2005	5,220
2006	9,400
	<u>\$ 31,755</u>

The storm drain impact fees are assessed to new home owners and/or developers for their impact upon the City's need for expansion of the storm drain system. These funds are used for future storm drain construction and development.

Below is a table showing the year in which the funds were collected:

STORM DRAIN IMPACT FEES

	<u>Balance</u>
2003	\$ 1,322
2004	37,586
2005	22,060
2006	25,431
	<u>\$ 85,077</u>



AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
Plain City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Plain City, as of and for the year ended June 30, 2006, which collectively comprise Plain City's basic financial statements and have issued our report thereon dated December 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plain City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plain City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council
Plain City

We noted certain matters that we reported to management of Plain City in a separate summary dated December 26, 2006.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, Utah
December 26, 2006

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and City Council
Plain City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Plain City, Utah, for the year ended June 30, 2006 and have issued our report thereon dated December 26, 2006. As part of our audit, we have audited Plain City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah.

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2006.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees

Liquor Law Enforcement
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property
Tax Limitations
Justice Courts

The management of Plain City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditor's Report on State Legal Compliance
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying summary of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Plain City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Wood Richards & Associates

December 26, 2006

**PLAIN CITY
SUMMARY OF FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2006

Finding #1: State law requires that expenditures not be incurred in excess of the appropriation for any department. We noted the City did not comply with this law.

Recommendation: We recommend you limit expenditures or open the budget late in the year to provide for these variances.

Response: The City will monitor expenditures by department and will amend the budget when appropriate by following proper procedures.

Finding #2: State law requires that all justice courts, having funds due to the State shall on or before the 10th day of the month, pay all funds receipted within the preceding month to the appropriate public treasurer. We noted that the court surcharge reports were not always filed by the 10th of each month they were due.

Recommendation: We recommend you establish policies and procedures in order to file the required reports and funds to the public treasurer by the 10th of each month.

Response: The City will file these reports on a timely basis.



May 15, 2007

Richard Moon
Office of the State Auditor
East Office Building Suite E310
P O Box 142310
Salt Lake City, Utah 84114

Dear Richard:

We are writing in response to your letter of March 19, 2007. Plain City was over budget because a principal payment on the purchase of park lights was inadvertently posted to the wrong account and was not budgeted for under debt service in the General Fund. We have taken steps to properly budget for debt service and have installed procedures to monitor the actual compared to budget on a monthly basis and review the monthly financial statements. We will also make the proper budget amendments when required and follow proper budget procedures. These changes have already taken place. This is our corrective action plan and the anticipated completion date will be June 30, 2007.

Name of contact persons:

Steven J Davis Treasurer